Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Message Text

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PAGE 01 STATE 309970 TOSEC 130028
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S/S FRANK WISNER
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FM SECSTATE WASHDC
TO USDEL SECRETARY IMMEDIATE

S E C R E T STATE 309970 TOSEC 130028

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FOR THE SECRETARY AND BRZEZINSKI FROM WARREN CHRISTOPHER

E.O. 11652: GDS

TAGS:OVIP (VANCE, CYRUS)

SUBJECT: EVENING READING

FOLLOWING IS TEXT OF THURSDAY'S EVENING READING:

1. HUNGARIAN CROWN. AFTER ORAL ARGUMENT TODAY, THE FEDERAL JUDGE IN KANSAS TOOK UNDER ADVISEMENT SENATOR DOLE'S ATTEMPT TO ENJOIN THE RETURN OF THE CROWN. THE JUDGE HAS PROMISED TO RULE TOMORROW.

2. U.S.-JAPAN ECONOMIC TALKS. THE LATEST JAPANESE PROPOSAL GOES FAR TOWARD MEETING OUR BASIC CONCERNS AND SHOULD PROVIDE THE BASIS FOR A SUCCESSFUL VISIT TO JAPAN BY BOB STRAUSS EARLY NEXT MONTH.

THE JAPANESE GOVERNMENT HAS TOLD US (A) THAT IT AGREES THAT JAPAN'S CURRENT ACCOUNT SURPLUS IS NOT APPROPRIATE
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PAGE 02 STATE 309970 TOSEC 130028

UNDER CURRENT ECONOMIC CIRCUMSTANCES AND THAT IT WILL SEEK TO REDUCE IT AS QUICKLY AS POSSIBLE; (B) THAT IT WILL SEEK TO ACHIEVE A SEVEN PERCENT RATE OF REAL ECONOMIC GROWTH; AND (C) THAT IT WILL TAKE STEPS TO INCREASE IMPORTS THROUGH EXPANDING QUOTAS ON AGRICULTURAL ITEMS, EXPANDING IMPORT CREDITS, ALLOWING FOREIGN FIRMS TO PARTICIPATE IN

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

GOVERNMENT PROCUREMENTS, AND MAKING EFFORTS TO REDUCE OTHER NON-TARIFF BARRIERS.

JAPAN'S WILLINGNESS TO TRY TO ELIMINATE ITS CURRENT ACCOUNT SURPLUS IS A SIGNIFICANT MOVE TOWARD MEETING OUR ULTIMATE OBJECTIVE THAT JAPAN RUN A CURRENT ACCOUNT DEFICIT. A STRONG RATE OF JAPANESE ECONOMIC GROWTH SHOULD HELP REDUCE JAPANESE EXPORTS AND STIMULATE IMPORTS. ON SPECIFIC MEASURES TO STIMULATE IMPORTS, THE JAPANESE GOVERNMENT HAS OFFERED TO TRIPLE QUOTAS ON HOTEL BEEF, ORANGES, AND ORANGE JUICE, DESPITE STRONG DOMESTIC OPPOSITION. THIS IS A SUBSTANTIAL CONCESSION.

3. VIETNAM. THE VIETNAMESE INFORMED US YESTERDAY IN PARIS THAT THEY WISH THE UNITED STATES TO GIVE ASSURANCES THAT THE THREE BRILLIG CREW MEMBERS WILL PAY FINES TOTALLING $243,000 FOR HAVING BROKEN VIETNAMESE LAW BY ALLEGEDLY TRANSPORTING SOME 1300 LBS. OF MARIJUANA INTO VIETNAMESE WATERS. THIS STIFF DEMAND UNEXPECTEDLY FOLLOWS THE DECEMBER 19-20 NORMALIZATION TALKS IN PARIS, WHERE WE WERE TOLD THAT THE CREW WOULD BE RELEASED AFTER CERTAIN FORMALITIES WERE COMPLETED. THERE WAS NO HINT OF A LARGE FINE. WE HAVE REPLIED THAT THE U.S. CANNOT ASSURE PAYMENT OF FINES BY PRIVATE CITIZENS, AND THAT WE ARE MUCH DISTURBED BY THE UNEXPECTED INTRODUCTION OF A FINANCIAL CONDITION AFTER AGREEMENT TO RELEASE THE CREW

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MEMBERS HAD BEEN REACHED.

4. OIL PRICES. THE U.S. CAMPAIGN TO PREVENT AN OIL PRICE INCREASE CLEARLY WAS A SIGNIFICANT FACTOR IN BRINGING ABOUT OPEC'S DEFACTO SIX-MONTH PRICE FREEZE. WHILE WE WOULD HAVE PREFERRED A FORMAL DECISION AND A FREEZE LASTING A YEAR, WE AVOIDED THE TEN PERCENT INCREASE ANTICIPATED EARLIER THIS FALL. AT OUR URGING, WEST GERMANY, FRANCE, THE UK, JAPAN, ITALY, CANADA, BELGIUM, SPAIN AND AUSTRALIA WENT ON RECORD IN OPEC CAPITALS AGAINST A PRICE INCREASE, AND BUTTRESSED THEIR APPROACHES WITH ECONOMIC DATA WE PROVIDED. OUR AMBASSADORS IN TWENTY-ONE DEVELOPING COUNTRIES MADE THE CASE OF A PRICE FREEZE TO HOST GOVERNMENTS AND URGED THEM TO MAKE APPROACHES TO THE OPEC MEMBERS WITH WHICH THEY HAD CLOSE TIES. ALMOST ALL THE DEVELOPING COUNTRIES WE CONTACTED AGREED STRONGLY THAT ANY PRICE INCREASE WOULD SORELY STRAIN THEIR OWN ECONOMIES AND MANY AGREED TO EXPRESS THEIR VIEWS TO OPEC.

5. ITALY. WE RECENTLY ASKED SEVERAL OF OUR AMBASSADORS IN WESTERN EUROPE TO COMMENT ON LOCAL PERCEPTIONS OF

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

THE ITALIAN SITUATION AND THE POSSIBILITY THAT THE COMMUNIST PARTY MAY OBTAIN GREATER INFLUENCE IN THE ITALIAN GOVERNMENT. THE GERMANS ARE REPORTED TO BE THE MOST CONCERNED ABOUT THE ITALIAN SITUATION. GREATER COMMUNIST PARTICIPATION WOULD BE A SETBACK TO GERMAN POLICY, AND WOULD RISK A RIGHTWING ELECTORAL BACKLASH IN GERMANY, WHERE THERE WILL BE FOUR IMPORTANT STATE ELECTIONS IN 1978. THE SPANISH GOVERNMENT WOULD NOT LIKE TO SEE THE MORALE OF THEIR OWN COMMUNIST PARTY ENHANCED BY THE COMMUNISTS' SUCCESS IN ITALY, BUT IS TOO CAUGHT UP IN ITS OWN POLITICAL PROBLEMS TO PAY MUCH ATTENTION TO DEVELOPMENTS IN ITALY. THE FRENCH HAVE THEIR OWN ELECTION CAMPAIGN UNDER WAY AND DO NOT WISH TO INTRODUCE SUCH A POTENTIALLY DISRUPTIVE ISSUE.

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IN GENERAL, THE EUROPEAN COMMUNITY SEEMS RELATIVELY RELAXED ABOUT ITALIAN DEVELOPMENTS, IN SHARP DISTINCTION TO THE CONCERN IT HAS SHOWN IN THE PAST OVER THE FRENCH SITUATION. FOR VARIOUS NATIONAL REASONS, THE COUNTRIES OF WESTERN EUROPE ARE UNLIKELY TO MAKE STRONG PUBLIC STATEMENTS ABOUT GREATER COMMUNIST PARTICIPATION IN THE ITALIAN GOVERNMENT. CHRISTOPHER

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Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

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Margaret P. Grafeld
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EO Systematic Review
22 May 2009
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